



98-39

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UTILITY RATES MANAGEMENT TEAM (URMT)

SYNOPSIS:

The Utility Rates Management Team is a joint venture of HQ AFCESA and HQ Air Force Legal Services Agency (AFLSA) in Washington DC. The team is composed of two engineers from HQ AFCESA/CESE and three AFLSA attorneys collocated at AFCESA. The team's charter is to help MAJCOMs and bases hold down utility rates by providing support for rate interventions, negotiations, and special studies. These services are available from the URMT with support from the utility rate expert service contract administered by HQ AFCESA/CESM. The installation/MAJCOM must fund intervention services and special studies. AFCESA funds preliminary evaluations of rate changes and all other services.

URMT SERVICES:

The Utility Rates Management Team provides assistance in these areas:

- Review of utility suppliers' applications for rate changes to:
 - identify issues that may be challenged;
 - assess the probability of success for each challenge;
 - estimate cost savings resulting from successful litigation.
- Rate interventions, including discovery, pre-filed testimony, proposed cross-examination questions, draft briefing of issues, and final order evaluation.
- Support to Base Contracting during negotiation of utility service contracts, rates, and charges.
- Special studies covering all facets of

planning, engineering, and economic problems that affect the management and supply of utility services.

UTILITY CONTRACTS:

Base utility contracts include a clause specifying how rate increases will take effect. One type, the "negotiated rates" clause, stipulates that a rate change must be mutually agreed upon by the parties to the contract. The URMT can assist negotiating contracts of this type.

Another type of clause specifies that the contract will be modified to incorporate rate changes ordered by the independent state utility regulatory body. The base, with the support of the URMT, has an opportunity to intervene as a party in the rate case. The URMT can present evidence, cross-examine witnesses, and otherwise attempt to influence the regulators through the adversarial process.

PROCESS:

When the base is notified of a rate change, the BCE must notify the MAJCOM and recommend whether the proposed rate change is reasonable, necessary, and nondiscriminatory. If a rate increase is significant (\$300,000/year for gas/electric, \$200,000/year for water/sewer) the MAJCOM forwards their recommendation to the URMT (paragraph 2.13, AFI 32-1061). The URMT will evaluate the utility's proposal and together with their expert consultants, determine whether the proposal is reasonable, necessary, and nondiscriminatory. If the proposal satisfies these criteria, the URMT either

will agree to the company's proposal and modification of the contract ("negotiated rates"), or decide against intervention in the state regulatory process. The URMT often identifies issues which result in negotiation or intervention. For FY 98, savings and cost avoidance totaled \$60 million for URMT efforts. Further details on utility contracts and other utility service concerns can be found in AFI 32-1061, *Providing Utilities to US Air Force Installations*.



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